



Department of Defense

DIRECTIVE

NUMBER 4205.1
September 11, 1996

SADBU, OSD

SUBJECT: Department of Defense Small Business and Small Disadvantaged Business Utilization Programs

References: (a) DoD Directive 4205.1, subject as above, June 21, 1984 (hereby canceled)
(b) Section 2323 of title 10, United States Code
(c) Sections 631-656 of title 15, United States Code
(d) DoD 4205.1-M, "Selling to the Military," March 1995
(e) through (k), see enclosure 1

1. REISSUANCE AND PURPOSE

This Directive:

1.1. Reissues reference (a).

1.2. Updates policy and responsibilities, under references (b) and (c), for implementing and managing the small business, small disadvantaged business, and women-owned small business utilization programs within the Department of Defense, to include historically Black colleges and universities and/or minority institutions.

1.3. Continues to authorize the publication of references (d) through (g), in accordance with reference (h).

2. APPLICABILITY AND SCOPE

This Directive:

2.1. Applies to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies that award and/or administer contracts, cooperative agreements, and grants (hereafter referred to collectively as "the DoD Components").

2.2. Does not apply to the awarding of contracts (including purchases) for goods and services funded solely by nonappropriated funds.

3. POLICY

It is DoD policy that a fair proportion of DoD total purchases, contracts, subcontracts and other agreements for property and services, and sales of property be placed with small business concerns, small disadvantaged business concerns, women-owned small business concerns, and historically Black colleges and universities and minority institutions, in accordance with 10 U.S.C. 2323 and 15 U.S.C. 631-656 (references (b) and (c)).

4. RESPONSIBILITIES

4.1. The Deputy Under Secretary of Defense for International and Commercial Programs shall:

4.1.1. Ensure compliance with references (b) and (c).

4.1.2. Appoint a Director of the Office of Small and Disadvantaged Business Utilization (OSADBU), as defined in enclosure 2, definition 3. The OSADBU Director is the principal proponent within the OSD for executing national and DoD policy, as mandated by the Congress and the President.

4.1.3. Ensure that the Director of OSADBU shall:

4.1.3.1. Perform the duties and responsibilities in furtherance of section 3., Policy, above, and as set out in references (i) thru (k), and maintain the publications in references (d) through (g), consistent with DoD 5025.1-M (reference (h)).

4.1.3.2. Establish working groups, as deemed appropriate, and issue periodic guidance and procedures, in furtherance of the execution of program responsibilities.

4.1.4. Ensure that the heads of major contracting activities and major contract administration activities shall:

4.1.4.1. Comply with paragraph 19.201 of the FAR (reference (j)) and ensure that personnel appointed as assistant directors, associate directors, and small business specialists shall possess the business acumen, knowledge of acquisition policies and procedures, training, and background to accomplish the small business program policy, and are not subject to the control or direction of contracting, contract administration, or technical personnel.

4.1.4.2. Appoint a full-time Associate Director of Small Business in accordance with DoD Component regulations, with authority, staff, and resources required to effectively manage the program within the activity, who shall report directly to the commander or the deputy commander (second in command) and who shall perform the small business specialist functions at that activity.

4.1.5. Ensure that the heads of each Defense Contract Management Command Contract Administration Office (except those performing contract administrations services for a single contractor) appoint a full-time Assistant Director of Small Business, and, as necessary, additional small business specialists, with authority and resources required to manage effectively the program within the activity. The Assistant Directors shall report directly to the commander (or second in command), who shall perform the small business specialist functions at that activity.

4.1.6. Ensure that the heads of contracting offices and contract administration offices not included in paragraph 4.1., above, shall:

4.1.6.1. Comply with paragraph 19.201 of the FAR (reference (j)).

4.1.6.2. Appoint, at minimum, a part-time small business specialist, in accordance with DoD Component regulations, with authority and resources required to effectively manage the program within the activity, who shall report directly to the commander or deputy on small business matters, and who shall perform the small business specialist functions at that activity. The part-time small business specialists' program duties shall take precedence over any other assigned duties.

4.1.7. Ensure that the heads of activities identified in this section comply with the functions and duties prescribed in reference (j), to be performed by associate directors of small business, assistant directors of small business, and small business specialists, that include the following:

4.1.7.1. Provide advice and counsel to the commander on all small business matters and brief the activity commander at least once quarterly, or more frequently as necessary, on program status.

4.1.7.2. Advise and assist program managers and other related officials, early in the acquisition planning and throughout the follow-on process, in the development of strategies to ensure maximum participation in prime and subcontracting by small business concerns, small disadvantaged business concerns, women-owned small business concerns, and historically Black colleges and universities, and minority institutions.

4.1.7.3. Monitor prime contractor, small business subcontracting programs, and conduct periodic site visits with senior management officials to evaluate compliance with contract requirements and make recommendations to the contractor and

contracting officers on improvement of program performance for activities conducting contract administration functions.

4.1.7.4. Develop and implement education and training programs for personnel whose duties and functions affect the activity's small business program.

4.1.7.5. Monitor performance related to the successful goal accomplishment at the activity and advise the head of the activity on corrective action required for improved program performance.

4.1.7.6. Develop programs to assist the contracting officers and, as appropriate, other functional elements in outreach and other efforts required by paragraph 19.202 of the FAR (reference (j)).

4.1.7.7. Act as the ombudsman and coordinator with the functional activity concerned in responding to complaints and resolving problems encountered by small business firms performing under DoD contracts.

4.2. The Heads of the DoD Components shall appoint Component Directors of OSADBU and ensure that the Directors shall:

4.2.1. Implement the program policy in section 3., above, and as set out in paragraph 19.201 of reference (j).

4.2.2. Establish policies and procedures for the program within their DoD Components.

4.2.3. Plan, develop, and manage the program within their DoD Components, as defined in reference (j) and enclosure 3.

4.2.4. Assess the implementation of the program by subordinate activities and provide a report of the results to the activity, to include recommendations for correcting noted deficiencies.

4.2.5. Consult with the DoD Component acquisition managers, the Small Business Administration (SBA), the Department of Commerce, and other Government Agencies about small business development.

4.2.6. Review and provide approval and/or concurrence with individual appointments of small business specialists at major contracting and contract administration activities, as defined in definitions E2.1.5. and E2.1.6., respectively (enclosure 2). The DoD Component Directors are authorized to waive the requirement to appoint a full-time specialist and appoint a part-time specialist where circumstances justify.

4.2.7. Develop and publish appropriate publications for the respective DoD Components.

5. EFFECTIVE DATE

This Directive is effective immediately.

A handwritten signature in black ink, appearing to read "John P. White", is written over a horizontal line.

John P. White
Deputy Secretary of Defense

Enclosures - 3

- E1. References, continued
- E2. Definitions
- E3. Procurement Goals

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD 4205.1-G, "Defense Contracting Regulations: A Guide for Small Business, Small and Disadvantaged Business, and Women-Owned Business," June 1994
- (f) DoD 4205.1-H, "Small Business Specialists," October 1995
- (g) DoD 4205.1-D, "Subcontracting Opportunities with DoD Major Prime Contractors," 1994
- (h) DoD 5025.1-M, "DoD Directives System Procedures," August 1994
- (i) DoD Directive 5134.4, "Director of Small and Disadvantaged Business Utilization," March 17, 1989
- (j) Federal Acquisition Regulation, Part 19, "Small Business and Small Disadvantaged Business Concerns," current edition
- (k) Defense FAR Supplement, Part 219, "Small Business and Small Disadvantaged Business Concerns," current edition, and Subpart 202.1, "Definitions"

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Assistant Director of Small Business. The small business specialist of each major subordinate contracting or contract administration activity who reports to the head of the activity (or second in command).

E2.1.2. Associate Director of Small Business. The small business specialist at each major contracting activity or major contract administration activity who reports to the head of the activity (or second in command).

E2.1.3. Director of the Office of Small and Disadvantaged Business Utilization (OSADBU), Secretary of Defense (OSD). The official of OSD who reports to the Deputy Under Secretary of Defense for International and Commercial Programs, and performs the responsibilities as defined in Section 644 of 15 U.S.C., DoD Directive 5134.4, the FAR and DFARS (references (c), (i), (j), and (k)).

E2.1.4. DoD Component Directors of the Office of Small and Disadvantaged Business Utilization (OSADBU). The official of each DoD Component who reports to the Agency Head or Agency Head's deputy, as required by Sections 637 and 644 of reference (c) and performs the responsibilities as defined in references (j) and (k).

E2.1.5. Major Contracting Activities. DoD activities listed in Sub-part 202.1 of reference (k) for the following DoD Components and contracting offices within the DoD Components of contracting activities whose total annual purchases with U.S. business concerns (large and small) exceed \$100 million:

E2.1.5.1. Army;

E2.1.5.2. Navy;

E2.1.5.3. Air Force;

E2.1.5.4. Defense Advanced Research Projects Agency;

E2.1.5.5. Defense Commissary Agency;

E2.1.5.6. Defense Information Systems Agency;

E2.1.5.7. Defense Intelligence Agency;

E2.1.5.8. Defense Logistics Agency (DLA);

E2.1.5.9. Defense Mapping Agency;

E2.1.5.10. Defense Special Weapons Agency;

E2.1.5.11. National Security Agency;

E2.1.5.12. On-Site Inspection Agency;

E2.1.5.13. U.S. Special Operations Command; and

E2.1.5.14. Ballistic Missile Defense Organization.

E2.1.6. Major Contract Administration Activities. Contract administration offices of the DLA designated by its Director of Small and Disadvantaged Business Utilization for small business program management purposes.

E2.1.7. Small Business Specialist. The official who performs the responsibilities, as defined in this Directive and as outlined in references (j) and (k) and who provides general guidance and program management oversight.

E3. ENCLOSURE 3

PROCUREMENT GOALS

E3.1.1. Section 644(g) of 15 U.S.C. (reference (c)) requires the President to annually establish Government-wide goals for procurement contracts awarded to small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and women-owned small business concerns.

E3.1.2. The OSD Director of OSADBU shall develop and forward the annual small business goals for the forthcoming fiscal year to the DoD Component's Directors of OSADBU each year for comments and recommendations.

E3.1.3. The Military Departments and the Defense Agencies' Directors of OSADBU shall submit their comments and recommendations to the OSD OSADBU.

E3.1.4. The OSD Director of OSADBU shall develop and submit the proposed final goals to the Administrator of the SBA and shall consult with the Administrator before forwarding the final goals to the DoD Components.

E3.1.5. Based on results of discussions with the SBA, the OSD Director of OSADBU shall prepare the final goal assignments for signature by the Deputy Secretary of Defense to be forwarded to the Secretaries of the Military Departments and the Directors of Defense Agencies.

E3.1.6. The DoD Component Directors of OSADBU shall develop small and disadvantaged business utilization goals for subordinate elements within their Components and prepare these goal assignments for signature by the Secretaries of the Military Departments and the Directors of Defense Agencies. These goals shall be further allocated for distribution at lower-level activities, as appropriate, (i.e., engineer district offices or individual contracting divisions within a central contracting activity or major commodity command or Defense Contract Management Area Operations office).

E3.1.7. Activity Commanders are responsible for the attainment of goals assigned in accordance with paragraph E3.1.6., above. Program Executive Officers shall assist commanders in achieving the activity's assigned goals.

E3.1.8. Section 644(h) of reference (c) requires that, at the conclusion of each fiscal year, the Head of each Federal Agency shall report to the Administrator of the SBA on the extent of participation by small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals in procurement contracts of such Agency. Such reports shall contain appropriate justifications for failure to meet the established goals. The law also requires the SBA to submit to the Committee

on Small Business of the Senate and the Committee on Small Business of the House of Representatives information obtained from such reports, together with appropriate comments.

E3.1.9. Within 90 days after the conclusion of each fiscal year, the Secretaries of the Military Departments and the Directors of Defense Agencies shall report to the Secretary of Defense only the extent to which assigned goals were not achieved. Such reports shall contain appropriate justifications for failure to meet goals established by the OSD, as well as actions planned to increase the rate of participation by such firms in future contract awards. The OSD OSADBU shall submit information to the Administrator of the SBA on any failure to meet established goals and actions to be taken to improve future program performance.